

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, FINANCE, AND ACCOUNTABILITY
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MEDIA ADVISORY

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Improving Financial Management at DHS
A Look at New Audit Requirements

What: **Oversight Hearing: “Department of Homeland Security Financial Management: Evaluating Progress in Improving Internal Controls”**

When: **Wednesday, September 13, 2006**

Where: **Room 2247 Rayburn House Office Building, Washington, D.C.**

Five years ago today, America sustained the most devastating terrorist attack in its history, spurring the creation of the Department of Homeland Security. The goal was to streamline operations and promote efficiency within the Federal government in order to protect the nation.

DHS inherited agencies in varying states of financial management – many with significant problems. In order to ensure that DHS would have the best chance to establish sound business practices, Subcommittee Chairman Todd Platts introduced H.R. 4259, the *DHS Financial Accountability Act*, which President Bush signed into law on October 16, 2004 (Public Law 108-330).

The *DHS Financial Accountability Act* mandated a financial management structure in line with the *Chief Financial Officers Act of 1990* and established a Senate-Confirmed CFO with direct access to the Secretary. In addition, the Act imposed on the Department the most stringent audit requirements of any Federal agency – an audit of internal controls.

Internal controls are the checks and balances built in to accounting practices to prevent and detect mistakes. They are the key to accountability. In fiscal years 2004 and 2005, the Department’s auditor identified ten “material weaknesses” in internal control. A material weakness is a problem so serious that it may cause financial statements to be inaccurate. It is important to note that more material weaknesses have been identified at DHS than at any Federal department other than the Department of Defense.

Poor internal controls affect more than just financial reports – they can adversely impact operations. In the case of DHS, the Bureau of Immigration and Customs Enforcement experienced budget shortfalls in fiscal year 2005 because of accounting problems, and the Federal Emergency Management Agency’s internal controls problems contributed to millions in misspent funds in response to Hurricane Katrina.

By subjecting internal controls at DHS to increased scrutiny through the audit process, Congress aimed to address the root causes of such problems. Fiscal year 2006 is the first year that an auditor will be required to render an opinion on controls, and that opinion will be included in the Performance and Accountability Report on November 15, 2006. Most important, however, is the audit process itself.

In order to address weaknesses – not just identify them – the DHS Office of Inspector General, working with the DHS CFO, has performed quarterly audits over the past year. These targeted audits, called Corrective Action Plans, focus on identified material weaknesses and measure performance milestones.

This hearing will focus on the first several Corrective Action Plans and provide the Subcommittee with a chance to discuss the progress made by DHS to improve its accounting practices and business processes.

Witnesses:

The Honorable David Norquist, Chief Financial Officer
Department of Homeland Security

Mr. David Zavada, Assistant Inspector General
Department of Homeland Security

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